



IM TREATMENT OF NONCUSTODIAL PARENT RESOURCES

Building a Consistent and Equitable Process

“A need analysis system should provide a comprehensive measurement of family financial strength. Both income and assets contribute to the family’s financial strength and both should be considered when measuring any family’s ability to pay. A family’s ability to pay, not willingness to pay, is measured by the need analysis system.”

Principles of Need Analysis, College Board, revised 2003

The goal of need analysis is to determine the family’s ability to pay using an equitable and consistent format. The presence of a noncustodial parent in the applicant’s life expands the potential definition of family in the need analysis process. The Noncustodial PROFILE (NCP) enables the institution to collect data from these families and for this data to be analyzed in a standard way using Institutional Methodology (IM).

Noncustodial Parent Methodology Principles

The NCP methodology is rooted in the same principles that govern the IM. It supports both the calculation of a reasonable family contribution and the expectation of parental financial responsibility, regardless of marital or domestic status. The College Board’s Financial Aid Standards and Services Advisory Committee (FASSAC) examined the issues related to the collection and analysis of data when a noncustodial parent is identified and a consensus within FASSAC was reached on the following concepts:

1. The primary goal of need analysis is to determine the family’s ability to pay for college expenses. There should be a *consistent* approach among institutions to the analysis of family data when birth/adoptive parents do not live in the same household.
2. The definition of family should be viewed as a set of relationships rather than a domestic unit.
3. Consistent with the principle of equity in calculating a parent contribution, the standard IM PC should include an assessment of the noncustodial parent’s resources calculated in a format parallel to that of the custodial parent contribution.
4. The standard family contribution calculation for applicants with separated or divorced parents involves two parents, not three or four.
5. A contribution from a parent who has remarried is proportional to the financial strength of that parent as compared to the combined resources of the parent and stepparent. This principle applies to the parent in either the custodial or noncustodial household.
6. The College Board is uniquely structured to serve as the *facilitating* center for data collection, methodology development and operational implementation.
7. Final decisions on the requirement for and use of noncustodial data must be determined by *institutional policy and procedure*.

Institutional Methodology Adjustments

$$TOTAL\ PC = Adjusted\ Custodial\ PC + Adjusted\ Noncustodial\ PC$$

The methodology produces parallel IM parent contributions from each household, requiring that each parent provide data for equivalent elements, including stepparent information. In the case of households with stepparents, the parent contribution is adjusted according to the percentage of financial resources attributed to the birth/adoptive parent. The total IM parent contribution (PC) is the sum of the adjusted PCs of the custodial and noncustodial parents. (See below). The College Board's Noncustodial PROFILE Service supports NCP data collection and analysis.

Definition of family units and household size

In the standard NCP methodology, a household unit is defined as the student, the dependent siblings common to the custodial and noncustodial parents, the birth/adoptive parent, the stepparent, the stepparent's children living in the household plus others (i.e. people who live in the household and receive more than half of their support from the parents). This approach minimizes issues related to student residence changes and joint custody.

A fundamental NCP methodology concept is that the student and dependent siblings common to the custodial and noncustodial parents are counted in each household. Including all shared siblings in each household recognizes the responsibility of each parent for all children. This may seem like double counting. However, the goal is to develop a contribution that is based on consistent data elements, regardless of which parent is considered custodial. Noncustodial parents must provide housing for children during visitation periods and may contribute assistance beyond direct child support payments. Housing expenses are important because they represent a significant portion of the household expenses as reflected in the Income Protection Allowance (IPA).

Treatment of Child Support

Child support paid by the noncustodial parent to the custodial parent is counted as income for the custodial parent and as an income allowance for the noncustodial parent. Although stepparent children living in other households are not counted in the household size, the child support paid by the stepparent for those children is treated as an income exclusion, per standard IM practice. This treatment is consistent with the concept of parallel IM calculations. If the child support for the applicant will cease before enrollment, institutions may use professional judgment to reduce or exclude child support from the analysis.

Role of stepparent resources

The inclusion of a stepparent in either household increases the complexity of data collection and analysis. It is unlikely that the birth/adoptive parent and stepparent resources are equivalent. Clearly, whatever balance exists between parent and stepparent resources, the presence of a stepparent in the household gives the birth/adoptive parent more flexibility in the use of financial resources. When birth/adoptive parents remarry, the income and assets of both parent and stepparent are incorporated into the calculation of the total household PC. Secondary adjustments to that PC are made based on the percentage of household income and assets attributed to the birth/adoptive parent.

Adjusting the Parent Contribution

The methodology is based on the assumption that the total parent contribution represents the ability to pay of two parents, not three or four. If either parent has a current spouse whose resources were included in the calculation, bottom line adjustments are made to the income and asset contributions. The adjustment process is the same for both custodial and noncustodial parent contributions. The computational steps are outlined below.

Income Adjustment: The income of the birth/adoptive parent is calculated by adding his or her *earned* income to 50% of other income, taxed or untaxed. The income adjustment is based on the percentage of that income to the combined total income (taxed and untaxed) of the parent and stepparent.

For example, the custodial father earns \$60,000 a year and his wife earns \$50,000. They have an additional \$5,000 in taxable income and \$1,000 in untaxed income for a total income of \$116,000. The father's \$63,000 income is calculated by adding his earned income (\$60,000) and 50% of other income (\$3,000). It represents 54% of the total. The adjusted custodial PC from income is 54% of the total calculated PC from income.

Asset adjustment: The asset contribution adjustment is based on the premise that the parent and stepparent share assets equally. The total contribution from parent assets is adjusted by 50%. If institutions have other information, professional judgment will determine the appropriate split.

Computational Steps to Adjust Parent Contributions

- 1. Total income = the sum of parent and stepparent income earned from work + all other taxable and untaxed income minus child support paid.**
- 2. Parent income = earned income + 50% of other taxed or untaxed income, including child support received.**
- 3. Parent percentage of income = Step 2 divided by Step 1.**
- 4. Adjusted PC from income = Total PC from income multiplied by Parent percentage of income from Step 3.**
- 5. Adjusted PC from assets = Total PC from assets x 50%.**
- 6. Adjusted parent contribution = Sum of adjusted PC from income (Step 4) and adjusted PC from assets (Step 5).**
- 7. Apply number in college adjustment if applicable.**

Summary

Professional judgment issues increase dramatically when noncustodial parents and stepparents are involved in the student applicant's life. Aid administrator decisions to adjust calculations are best guided by well-defined institutional policies and appropriate documentation. In the interest of consistently equitable practice, institutions are wise to define and periodically review their policies and procedures parameters.

Equity, consistency and expectations about parental responsibility dominate the philosophy and goals of the need-based financial aid delivery system. The inclusion of a standard approach to the assessment of noncustodial parent financial responsibility is an initiative directed at bringing greater consistency, efficiency and validity to the assessment of financial need. The College Board facilitates the delivery of institutional aid to needy applicants by designing and developing services and maintaining the Institutional Methodology. Institutions always retain the ultimate responsibility for the policies and procedures that govern the awarding of their own resources and aid administrators must use professional judgment wisely when making decisions about individual student circumstances.